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THE NEW JAPANESE GOVERNMENT

Summary

There is one thing that observers of the Japanese political scene can agree on when examining the new government headed by Noboru Takeshita: it is not likely to follow the style established by outgoing Prime Minister Yasuhiro Nakasone. The problem is determining the likely course the government will follow under its new premier. All observers look on Japan's new leader as an effective political operator, but critics charge that he is not capable of managing the country's growing domestic concerns and international responsibilities. Mr. Takeshita's supporters insist, however, that his low-key style will be more effective in developing consensus positions among rival interest groups than the approach favored by his highly publicized predecessor.

The Road to Power

Noboru Takeshita falls into the mold of more traditional Japanese politicians, having risen through the ranks with the support of key figures rather than by virtue of his command of the issues. The qualities that carried him to the top are those esteemed in Japanese society -- self-effacement, deference, patience, and above all his Japanese "heart" -- a broad sense of compassion and empathy for his countrymen and Liberal Democratic Party colleagues.

The new prime minister, who will be 64 years old next February, began his political career in 1951 when he was elected to the Shimane Prefectural Assembly at the age of 27. Seven years later he won a seat in the national

Diet's lower house, winning more votes in his district than any other candidate, and has been continuously re-elected ever since. Under former Prime Minister Eisaku Sato Mr. Takeshita served as deputy chief cabinet secretary and became chief cabinet secretary in the last Sato cabinet in 1971. He was again appointed chief cabinet secretary in the 1974 cabinet of Kakuei Tanaka and minister of construction in the 1979 government of Takeo Miki (during which time he also chaired the powerful Budget Committee in the lower house). In addition he was finance minister in two different governments, first under Masayoshi Ohira (1979-80) and then under Yasuhiro Nakasone (November 1982-July 1986).

While Mr. Takeshita had sufficient party and cabinet experience to justify his selection as prime minister, he lacked one of the critical requirements to become LDP president and prime minister: a personal faction committed to his success with a base of supporters to help him achieve power. Mr. Takeshita took over the party's largest faction after carefully wresting control from the faction's former head, Mr. Tanaka. His task was formidable. Under normal circumstances, new leaders inherit their factions with the explicit consent of their predecessors or after a death. The Tanaka faction, however, was in a state of limbo after Mr. Tanaka suffered a crippling stroke in February 1985. While the former "kingmaker" of the LDP failed to recover, no one could risk the possible damage to his reputation by launching an overt effort to seize control. In essence, then, the faction had to be forced on Mr. Takeshita by his supporters within the party.

With the aid of his father-in-law, former Deputy Prime Minister Shin Kanemaru, Mr. Takeshita officially took control last July, setting the stage to campaign against the party's two other "new leaders" -- Finance Minister Kiichi Miyazawa and former Foreign Minister Shintaro Abe. (Another member, Susumu Nikaido, launched an unsuccessful candidacy.) Despite the drama the Japanese media managed to infuse in the campaign, the outcome was never seriously in doubt: Mr. Takeshita had strong support from over a hundred faction members and tentative endorsements from at least two other factions. When Mr. Nakasone was asked to step in at the last minute to mediate, he designated Mr. Takeshita.

This aspect of the succession has been its most interesting element, since Mr. Nakasone did not at the outset have the factional or financial strength necessary to exert that much political leverage. By maintaining a relatively low political posture throughout the campaign and refusing to endorse any candidate directly, he was able to step in at the last minute to save the situation and maximize his influence on the new government. This development once again illustrated Mr. Nakasone's remarkable political acumen and showed why he was able to remain in office for so long despite the tremendous odds against him.

The New Cabinet and Party Line-up

Immediately after his endorsement as LDP president October 31, Mr. Takeshita named Mr. Abe secretary general -- the number-two position in the party -- and appointed Masayoshi Ito executive council chairman and Michio

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Watanabe chairman of the policy affairs research committee. Mr. Abe thus becomes Mr. Takeshita's logical successor. Mr. Miyazawa remains finance minister under the new regime and in addition has assumed the post of deputy prime minister, something of a face-saving gesture in light of his unsuccessful bid for the party presidency.

Mr. Watanabe now enters the ranks of future contenders by virtue of his combined party and cabinet expertise, the latter as minister of international trade and industry. His new assignment is critical in developing the network of support necessary to become party president. In terms of day-to-day events within the party and the government, the policy affairs research committee might be the most important position since it allows virtually daily input across a broad range of issues. By contrast, the secretary general is most effective at election time because of his authority relating to candidate endorsement and campaign fund allocations.

Furthermore, the promotion boosts Mr. Watanabe's leadership potential within the Nakasone faction, a significant consideration since he is already viewed as a possible heir. This action also helps moderate Mr. Nakasone's potential influence. Should he attempt too high a political profile, Mr. Takeshita can in effect retaliate by giving Mr. Watanabe more leverage in policy and party affairs, thus threatening the former premier's leadership in his own faction.

Mr. Watanabe's party post has assumed growing prominence in government policymaking in recent years and will allow him to make a significant impact on the new government's positions. In effect, he will oversee the party's stance on virtually every issue and indeed will prepare papers that frequently represent official government positions. In the party he is considered an authority on the tax code, which suggests that tax reform will be one of the most important domestic priorities of the new government.

The new cabinet reflects a delicate balance of intra-party politics and policy considerations. With six seats, the Takeshita faction holds a slight plurality, but in terms of qualitative representation, the Nakasone faction fared extremely well, capturing the portfolios in foreign affairs, posts and telecommunications, and construction. Both the Abe and Miyazawa factions landed four positions of generally comparable status. Abe faction member Takashi Sato heads up the Ministry of Agriculture and Forestry, an important post for anyone with ambitions for the future. Miyazawa supporter Tsutomu Kawara is the new Japan Defense Agency director general, another position that has grown in stature in recent years in response to significant changes in defense policies.

Apparently because of the perception abroad that the new prime minister lacked international experience, Mr. Miyazawa was retained as finance minister. He reportedly agreed to remain in his post for personal as well as policy reasons. His reappointment signals the likelihood of policy continuity in Japan's fiscal and monetary policies. By the same token the new government's foreign policies are likely to remain consistent at least for the short term with the appointment of Sosuke Uno, a Nakasone loyalist, as foreign minister. In commercial and trade policies the same principle holds true, with Hajime Tamura staying on as minister of international trade and industry.

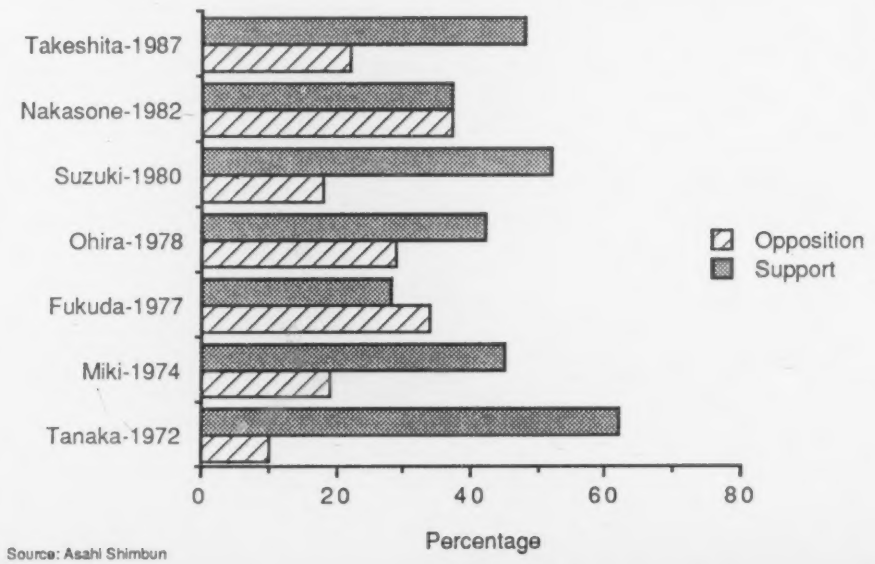
Mr. Kawara's appointment as JDA director general is an interesting one. As the price of support for the Nakasone government when it was first formed, Zenko Suzuki, the head of the faction now led by Mr. Miyazawa, reportedly insisted on the appointment of a member of his group, which was considered less hawkish, as JDA director general. Both JDA appointees in the Nakasone government, Yuko Kurihara and Koichi Kato, were respected, articulate doves on defense. It appears that the Miyazawa faction has inherited that logic in having one of its members named to the position under the Takeshita government. Although there is less information about Mr. Kawara's inclinations since this is his first cabinet appointment, it can be assumed that he is likely to follow the cautious stance of both Mr. Suzuki (whom he served as deputy chief cabinet secretary) and Mr. Miyazawa, while sustaining the general direction of current policies.

Takeshita loyalist Keizo Obuchi is the government's new chief cabinet secretary, under any circumstances an important position but one likely to be even more central in a government headed by a prime minister known more for his consensus-building skills than his policy initiatives. One interesting appointment is that of Abe faction member Shintaro Ishihara, once a somewhat controversial figure because of his staunch nationalism. As the new transportation minister, he has an opportunity to gain a larger national and intra-party following. Finally, the faction of Toshio Komoto is represented in only two positions -- the Ministry of Health and Welfare and the Science and Technology Agency -- reflecting the marginal impact of the faction on the outcome of the LDP presidential race in October.

The First Year's Agenda

Initial public opinion polls indicate a high level of support for the new government (see Figure), which took office November 6. This is fortunate since the problems facing it are multi-faceted and controversial in many respects. One of the key difficulties will be developing consistent positions on a broad range of issues, since several strong-willed individuals occupy important positions in the new government.

Initial Public Opinion Ratings for Japanese Cabinets, 1972-87



Source: Asahi Shimbun

Mr. Takeshita's positions on the issues are unclear. This is not a criticism of the new prime minister, since few Japanese politicians follow Mr. Nakasone's example in embracing clear-cut stands on often controversial subjects. His inclinations were presented in a platform released shortly after he announced his candidacy, but they are vague at best, calling on the Japanese people to put their "vitality to work for the world" and embracing the furusato (hometown) ethic -- essentially a stance endorsing the purity of Japanese culture.

Media commentaries in both Japan and the United States have correctly noted that -- for better or worse -- the new cabinet alignment indicates an emphasis on policy continuity on virtually every domestic and international front. Domestically, tax reform is a key priority, while internationally, attention is focused on relations with South Korea, the People's Republic of China and the United States. Mr. Takeshita might try to seize the momentum by arranging personal visits to each of those countries next year. A U.S. visit appears certain in January 1988.

Finance Minister Miyazawa has been outspoken on the direction of international financial policies and Washington's responsibility to rectify its own problems before demanding more of Japan. While it is likely that many -- if not most -- Japanese policymakers and business groups share these perceptions, the remarks might signal almost a reverse psychology in action. It is unrealistic to think that members of the new government do not realize that the impression of the new prime minister in Washington and other capitals is not positive. As a result, some observers have suggested that the government fears increased pressure from abroad arising from an assumption that the Takeshita government is susceptible to arm-twisting. Before such pressure can accelerate, the reasoning goes, it would be better for Japan to go on the offensive and put the responsibility for some of the world's problems where it belongs.

The international issues at the top of the new government's agenda include:

- U.S. Relations - Any Japanese government will place the U.S. relationship at the center of its foreign policy concerns for the foreseeable future. The going could be rough for the next few months, however, there being no easy solutions to the immediate problems facing the two countries. One is the question of construction contracts for foreign firms on public and quasi-public works projects in Japan. New Commerce Department Secretary William Verity took a tough line about the importance of the issue during a mid-November visit to Tokyo, indicating the Reagan administration is not likely to back down. Another problem area is agricultural trade, particularly what Tokyo will do when the current bilateral agreement expanding Japan's beef and citrus import quotas expires next March. Washington hopes for free trade; politically powerful agricultural interests in Japan, of course, seek the opposite.

- PRC Relations - The People's Republic of China has been included in a sweeping ban on Toshiba Machine Co., Ltd.'s exports to communist countries, resulting from that company's sale of sophisticated milling machines to the Soviet Union. With over $100 million in contracts at stake, Chinese officials seek either reparations or some other form of accommodation. Relations with the PRC are a high priority for Tokyo, so officials are unlikely to let the issue boil too long.

• Iran-Iraq Conflict - Prime Minister Nakasone cautiously took Japan into the troubled waters of the Persian Gulf by promising limited aid in the form of navigational systems for ships in the area. Mr. Takeshita is not likely to take a comparably bold step, but in deference to the United States and as an indication of Tokyo's sensitivity to the fact that Japan imports a considerable amount of oil from the region, the government is attempting to at least keep its hand in diplomatic efforts to resolve the conflict.

In a larger context this might raise issues involving Japan's defense policies. One Japanese commentator has suggested, for example, that promises to assist in critical areas will increasingly look shallow given the larger defense roles Japan could assume around its shores and abroad. Consequently, he suggests, there will be pressure on Tokyo to spend more and assume greater responsibilities. Given the proclivities of key cabinet officials, particularly Mr. Miyazawa, it is likely that Japan will respond with even higher international aid commitments.

• U.S.S.R. Relations - Although relations with the Soviet Union promised to take a distinct turn for the better, matters have been put on ice since Foreign Minister Eduard Shevardnadze's visit to Tokyo in January 1986. The momentum is not likely to shift dramatically under the new government. The U.S.-U.S.S.R. summit is likely to be the primary focus over the short run.

• Maekawa Report Implementation - This report on the internationalization of the Japanese economy was one of the Nakasone government's most publicized economic initiatives. Little has been heard of it in recent months. Overseas skeptics suggest that given the concerns and orientation of the Takeshita cabinet, the new government will pay homage to the same themes but little else. Time will tell.

• Yen Stabilization - The Takeshita government is particularly sensitive to the business community's concerns about the impact of the yen's steep appreciation since February 1985. Finance Minister Miyazawa has played a key role in trying to stabilize the yen-dollar relationship, but it remains to be seen if he will succeed where he has failed in the past.

At the domestic level, the government's policy concerns include:

• Tax Reform - This is the issue that threatened to dissolve the Nakasone government at one point. The LDP and the business community are anxious to revise the tax code to eliminate present inequities and generate new income for the government. The battle could prove to be just as tough this time around, although Takeshita supporters insist that the prime minister's behind-the-scenes maneuvering skills will prove invaluable in this regard.

• Land Prices - Land prices are sky high and rising. Furthermore, the tax code has distorted land utilization. For instance, there is still considerable acreage in suburban Tokyo being used for small-scale farming. It is essential to find ways to relieve the pressure for affordable housing by reversing the spiral in land prices.

• Budget - The cabinet will approve the FY 1988 budget in the near future. Tokyo remains committed to reducing its dependence on deficit financing. With the unexpectedly strong upturn in the domestic economy in recent months, pressure for economic stimulus might moderate and give the government the leeway to reactivate its temporarily shelved policy of cutting the budget shortfall through curbed discretionary spending.

Takeshita's Political Challenge

The alignment of Mr. Takeshita's first cabinet is a transitional arrangement representing policy considerations and political expedience. The prime minister is bound by the support of other major faction leaders in the LDP, just as Mr. Nakasone was linked with former prime minister Tanaka in the early days of his government. Mr. Takeshita faces the challenge of establishing an independent power base and distancing himself from at least one of the other three LDP power blocs in the next year. If he succeeds, it is a virtual certainty that the cabinet will be reshuffled within the next 12 months.

The most likely target of such a realignment would be Mr. Nakasone. Just as Mr. Nakasone was linked by the public with Prime Minister Tanaka, so Mr. Takeshita is viewed in tandem with his predecessor. If Mr. Takeshita is to project an independent image, he must distance himself from Mr. Nakasone and his influence. There are several ways to achieve this goal. The first would be to hold lower house elections in 1988. The election process could be used to weed Nakasone supporters from the ranks of the LDP and replace them with politicians loyal to the Takeshita and Abe camps. Opinion is divided regarding the likelihood of such an election, however. Many observers feel that the party would be well advised to hold on to its overwhelming majority in the lower house at least until the tax reform debate is settled.

A second alternative would be for the Takeshita government to seize on a dramatic yet relatively uncontroversial issue to establish an identity and garner a favorable domestic and international press. Mr. Nakasone was able to score points in Washington early in his administration by exempting the United States from policies restricting exports of military technology. Mr. Takeshita could have similar opportunities in such areas as the Kansai International Airport dispute -- although the signs are not favorable there -- or another sweeping international or bilateral cooperative program. The difficulty here is that it puts Mr. Takeshita in a role to which he is totally unaccustomed: assuming the lead on a highly visible position rather than serving as the power behind the scenes. Consequently, the implementation might be tricky unless it is put in the hands of a Takeshita loyalist who could also make political points by assuming responsibility for the program.

The final method is the time-honored technique of slowly building up one's supporters while whittling away at rival power bases. This is a logical approach for Mr. Takeshita, given his political style and capabilities. Under any circumstances a new prime minister will begin strengthening the power of his key lieutenants by entrusting them with critical responsibilities -- management of the tax reform legislation, for example. This might be the approach with which Mr. Takeshita is most comfortable and it will also gradually serve to distance him from figures such as Mr. Nakasone while preserving his own political options. Finally, it provides ample opportunities for the premier to find a "star" within his circle that he can rely on.

Yasuhiro Nakasone will go down as one of Japan's most effective and skillful politicians in the postwar period. His influence in the new government could be significant in light of his potential input into a proposed government-sponsored think tank that will examine foreign policy issues. And with several faction members in cabinet posts, he retains some power on government issues and operations, although some of those faction members will use their positions to build their own political bases.

The Outlook

Despite the best wishes of his closest supporters, Mr. Takeshita is not likely to assert himself as a formidable figure overseas. In the Japanese context his talents are most appropriate to the domestic arena. He is fortunate in that he is served by highly skilled individuals in certain key posts, and if he is an effective manager of party affairs, government issues -- at least on the domestic front -- could very well take care of themselves. Indeed, the cabinet might have more flexibility and more responsibility in the early days of the new government than might have been the case under a more confident and assertive Nakasone.

The story might be different if the government is faced with a sudden crisis. In such a case it is fair to assume that Mr. Takeshita's natural reaction would be to wait and see rather than take the bold actions sometimes necessary to protect a powerful nation's interests. Consequently, the traditional pattern of reacting to events abroad only in the face of international pressures could re-emerge, perhaps despite the efforts of others anxious to take the country down a new path.

This is not to suggest that Mr. Takeshita lacks an interest in international affairs, but that after so many years of operating behind the scenes in the Japanese political world, he will find it difficult to change his spots. He is an able but colorless politician who has succeeded through the time-honored tradition of waiting his turn to assume office. In deference to that tradition, Mr. Takeshita is also likely to fulfill the role of symbolic overseer of the government. He could very well prove to be an able arbitrator in any number of domestic and international disputes, but he is not likely to seek out issues demanding his attention. The new prime minister will wait for the issues to come to him and even then his first response will be caution.

For further information, contact Michael W. Chinworth.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

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Liberal Democratic Party Positions
October 31, 1987

Position	Holder	Age	Faction
President	Noboru Takeshita	63	Takeshita
Secretary General	Shintaro Abe	63	Abe
Executive Council chairman	Masayoshi Ito	74	Miyazawa
Policy Affairs Research Committee chairman	Michio Watanabe	64	Nakasone

The First Takeshita Cabinet
November 6, 1987

Position	Name	Age	Faction
Prime Minister	Noboru Takeshita	63	Takeshita
Deputy Prime Minister	Kiichi Miyazawa	68	Miyazawa
Finance	Kiichi Miyazawa	68	Miyazawa
Justice	Yukio Hayashida	71	Miyazawa
Foreign Affairs	Sosuke Uno	65	Nakasone
Education	Gentaro Nakajima	58	Abe
Health and Welfare	Takao Fujimoto	56	Komoto
Agriculture, Forestry and Fisheries	Takashi Sato	59	Abe
International Trade and Industry	Hajime Tamura	63	Takeshita
Transportation	Shintaro Ishihara	55	Abe
Posts and Telecommunications	Masaaki Nakayama	55	Nakasone
Labor	Taro Nakamura	69	Takeshita
Construction	Ihei Ochi	66	Nakasone
Home Affairs	Seiroku Kajiyama	61	Takeshita
State Ministers			
Chief Cabinet Secretary	Keizo Obuchi	50	Takeshita
Management and Coordination Agency	Osamu Takatori	58	Takeshita
National Land Agency	Seisuke Okuno	74	Unaligned
Japan Defense Agency	Tsutomu Kawara	50	Miyazawa
Economic Planning Agency	Eiichi Nakao	57	Nakasone
Science and Technology Agency	Soihiro Ito	63	Komoto
Environmental Agency	Tohio Horiuchi	69	Abe
Okinawa and Hokkaido Development Agencies	Shigeru Kasuya	61	Miyazawa
Cabinet Legislative Bureau	Osamu Mimura	63	Unaligned

Factional Alignments in the Liberal Democratic Party
October 31, 1987

Faction	Number of Members
Takeshita	114
Miyazawa	89
Nakasone	87
Abe	87
Komoto	31
Nikaido	15
"Neutrals"*	12
Independents	10

*Former Tanaka faction members currently unaligned.

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